

Message Text

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ACTION EB-07

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E.O. 11652: N/A
TAGS: ETRD, EAGR, NU
SUBJECT: COFFEE PRICES

REF: STATE 302391

1. EMBASSY PROVIDES FOLLOWING ANSWERS TO QUESTIONS
POSED PARA 2 REFTEL. ANSWERS BASED ON SOURCES IN
NICARAGUAN CUSTOMS, LOCAL COFFEE INDUSTRY AND RETAIL
STORES.

(A) CURRENT INTERNAL RETAIL PRICE COFFEE FLUCTUATES
BETWEEN US\$1.80 TO \$1.99 PER POUND DEPENDING ON
QUALITY AND BRAND. EXPORT QUALITY COFFEE NOT GENERALLY
AVAILABLE IN RETAIL OUTLETS.

(B) CURRENT DOLLAR PRICES PAID BY DOMESTIC ROASTERS
OR PROCESSORS RANGE BETWEEN \$1.50 AND \$1.80 PER POUND
FOR REJECTS, USUALLY DENOMINATED AS "SECONDS-BLACK",
WHICH IS QUALITY SOLD LOCALLY. IF ROASTERS SHOULD BUY
EXPORT QUALITY COFFEE, WHICH THEY RARELY DO, THEY WOULD
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HAVE TO PAY GOING F.O.B. EXPORT PRICE.

(C) FOLLOWING EXCISE TAXES ARE CURRENTLY APPLIED TO
EACH 46 KILOGRAM BAG (NET) OF EXPORTED COFFEE:

TYPE COFFEE	EXCISE TAX
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UNWASHED

VALUE UP TO \$10	US\$0.50
OVER \$10	0.75

GOOD WASH

VALUE UP TO \$10	0.50
OVER \$10	0.75

WASHED, UNHULLED

VALUE UP TO \$10	.40
OVER \$10	.60

SECONDS, BLACK

VALUE UP TO \$10	.30
OVER \$10	.45

IN ADDITION, THERE IS A US\$0.50 EXPORT TAX FOR EACH
60 KILOGRAMS SHIPPED ABROAD. N.B. IN DECEMBER 20
PRESS CONFERENCE, PRESIDENT SOMOZA SAID THAT HE WILL
ASK LEGISLATURE TO IMPOSE AN ADDITIONAL \$5.00 EXPORT
TAX ON EACH BAG OF COFFEE SHIPPED SO AS TO FINANCE
EFFORTS TO COMBAT COFFEE RUST (MANAGUA 5559) WHICH
THREATENS NICARAGUAN COFFEE PRODUCTION. THERE
ARE NO MINIMUM EXPORT PRICES, RETENTION REQUIREMENTS,
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OR ANY GON PROGRAMS SPECIFICALLY AFFECTING COFFEE
EXPORTS.

(D) COFFEE PRODUCERS CURRENTLY RECEIVE \$202 PER
100 POUND BAG, FOB NICARAGUAN PORT.

(E) GON'S ROLE IN COFFEE TRADE, AS IN MOST FIELDS,
HAS BEEN TRADITIONALLY ONE OF LAISSEZ FAIRE PASSIVITY.
ITS PRESENT INTERVENTION IN AREAS AFFECTED BY COFFEE
RUST MAY BE EXPANDED INTO A MORE AGGRESSIVE ROLE
IN CONTROLLING SPREAD OF THIS BLIGHT AND POSSIBLY IN
ENCOURAGING GREATER COFFEE PRODUCTION. 1977 COFFEE
EXPORTS MAY TOTAL \$160-170 MILLION AND THUS EXCEED
VALUE OF COTTON EXPORTS FOR FIRST TIME IN RECENT MEMORY.
GOVERNMENT-BACKED LEDNING PROGRAM OFFERS MORE
FAVORABLE INTEREST RATE FOR REPLANTING OF COFFEE THAN
IS AVAILABLE FOR MOST AGRICULTURAL ENTERPRISES.
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